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Hospital Service District No. 1 of Ouachita Parish
(A Component Unit of the Ouachita Parish Police Jury)

Financial Statements
For the Year Ended December 31, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/10/08

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA

December 1, 2008

Legislative Auditor Office
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Please find attached a corrected PDF file containing the December 31, 2007 audited financial statements of the **Hospital Service District No. 1 of Ouachita Parish (a component unit of Ouachita Parish Police Jury)** located in West Monroe, Louisiana. There was no management letter issued with this engagement.

There was a formula error on page 7 which has been corrected.

The Chairman and the Board of Commissioners will be receiving copies of the report this week.

If I can be of any further assistance, please call.

Very truly yours,

 , CPA
President

Hospital Service District No. 1 of Ouachita Parish
(A Component Unit of the Ouachita Parish Police Jury)

For the Year Ended December 31, 2007

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* Denotes Schedule

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INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
Hospital Service District No. 1 of Ouachita Parish
West Monroe, Louisiana**

We have audited the accompanying financial statements of the governmental activities and each major fund of **Hospital Service District No. 1 of Ouachita Parish** (the District), a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the accompanying Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of governmental activities and each major fund of the District as of December 31, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated November 14, 2008, on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

**Hospital Service District No. 1 of Ouachita Parish
West Monroe, Louisiana**

As discussed in Note 1B, the financial statements referred to above do not include the Ward Five Healthcare Foundation which should be included in order to conform with accounting principles generally accepted in the United States of America. As a result, the financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the District (as described in Note 1B) as of December 31, 2007 and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The "Management's Discussion and Analysis" presented on pages 4 through 8 and the "Budgetary Comparison Schedule" presented on pages 31 and 32 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Huffman, Roy & Seignier

(A Professional Accounting Corporation)

November 14, 2008

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

**Hospital Service District No. 1 of Ouachita Parish
(A Component Unit of the Ouachita Parish Police Jury)**

**Management's Discussion and Analysis
For The Year Ended December 31, 2007**

Our discussion and analysis of the Hospital Service District No. 1 of Ouachita Parish (the "District"), a component unit of the Ouachita Parish Police Jury, provides an overview of the District's activities for the year ended December 31, 2007. Please read it in conjunction with the District's financial statements that begin on page 10.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements (GWFS), 2) fund financial statements (FFS), and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. This report does not contain the financial activity of Ward Five Healthcare Foundation, a component unit of Hospital Service District No. 1 of Ouachita Parish, which can be obtained from John Cameron, Treasurer at 318-323-1717.

Government-wide Financial Statements. The government-wide financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the current year's revenues and expenses and other information showing how the District's net assets changed during the year. The change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one governmental fund, the General Fund, and one proprietary fund, the Wellness Center, which is an enterprise fund.

Governmental Fund

The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Fund

The proprietary fund encompasses one enterprise fund on the fund financial statements (see Statements G, H, and I). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's progress in funding its obligation to promote the general health of the community. Required supplemental information can be found beginning on page 34.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by nearly \$10,226,000. The District's assets are mostly (87%) composed of cash and cash equivalents while another 13% is composed of capital assets. Its main liability is composed of a payable to IASIS GRMC, LP which will be settled in 2008 from the District's escrow account.

A summary of the District's net assets is as follows:

Hospital Service District No. 1's Net Assets
Summary of Net Assets

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 10,896,361	\$ 106,205
Capital assets	<u>1,564,937</u>	<u>-</u>
Total assets	12,461,298	106,205
Current liabilities	96,584	
Due to IASIS GRMC, LP	<u>2,138,856</u>	<u>-</u>
Total liabilities	2,235,440	-
Invested in capital assets	1,564,937	-
Unrestricted	<u>8,660,921</u>	<u>106,205</u>
Total net assets	\$ <u><u>10,225,858</u></u>	\$ <u><u>106,205</u></u>

Governmental and Business-Type Activities

The District's net assets increased by \$10,120,000 during the current fiscal year. This increase is substantially a result of the disposition of Glenwood Regional Medical Center. As discussed in the notes to the financial statements, the financial position and activities of the Hospital and the Wellness Center were not included within the District's financial reporting in 2006.

A summary of the 2007 governmental and business-type activities as compared to its 2006 activities are as follows:

Hospital Service District No. 1's Activities
Summary of Governmental and Business-Type Activities

	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues	\$ 661,453	\$ 54,929
General revenues		
Interest income	366,415	3,269
Gain on sale of assets	2,864	-
Total revenues	<u>1,030,732</u>	<u>58,198</u>
Expenses		
General government	(189,559)	-
Health and welfare	(834,977)	(54,929)
Total expenses	<u>(1,024,536)</u>	<u>(54,929)</u>
Special items		
Transfer from sale	54,313,109	10,000
Transfer to Foundation	(44,199,652)	-
Total special items	<u>10,113,457</u>	<u>10,000</u>
Increase in net assets	10,119,653	13,269
Net assets at beginning of year	106,205	92,936
Net assets at end of year	<u>\$ 10,225,858</u>	<u>\$ 106,205</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements of the District present its General Fund and its Enterprise Fund. The changes discussed in the section below provide adequate explanations of the funds' activities during the year.

Governmental Fund

The focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. This being said, the District is unique amongst most entities in that its fund balance in its governmental fund essentially equals its net assets in its governmental activities which renders further discussion redundant. The only variance is that the governmental fund does not include \$57,000 in real estate that is included in governmental activities. However, more detail is given in the governmental fund statements which can be of benefit to the users of these financial statements.

Proprietary Fund

Similar to the discussion in the previous paragraph, the District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

GENERAL BUDGETARY ANALYSIS

General Fund

With 2007 being a year of major, fundamental transition for the District, a formal budget was not adopted until close to year end. During 2006 and 2007, the District's driving force was completing the disposition of the Hospital to IASIS GRMC, LP, which occurred in January, 2007. At that same time, the District acquired control of the Wellness Center, which is accounted for in the District's only enterprise fund. With this change, a substantial amount of time was devoted to the actual financial activities of this significant operation. Additionally, little activity occurred in the general fund that would have benefited from having a budget, nor could one have been realistically prepared. The main focus on the general fund was in completing the transfer of the Hospital and therefore legal fees were the most significant activity.

However, in order to stay within the legal requirements, the District did officially adopt a budget. The District employs formal budgetary integration as a management control device during the year. Budgeted amounts included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual include the original adopted budget amounts and the final amended budget amounts.

CAPITAL ASSETS

At December 31, 2007, the District's capital assets were substantially composed of those within the Wellness Center which was built in 1991. As shown in the financial statements, depreciable assets consisting of the building and equipment have a carrying value of \$745,656 (\$3,044,066 in cost less \$2,298,410 in accumulated depreciation), nondepreciable assets of land with a carrying value of \$750,000 and another \$12,281 in construction in progress. Another \$57,000 in land is reflected in governmental activities.

ECONOMIC FACTORS AND FUTURE OUTLOOK

The District will continue to use the interest it earns from its holdings to support the Wellness Center as the District reassesses the financial operation of the Wellness Center. One of the District's first major actions has been embarking on a number of renovations to various parts of the Wellness Center, the first beginning in 2007 and the last expected to be completed in 2009, at an aggregate cost of approximately \$1.25 million. This first major set of renovations since the Wellness Center opened its doors in 1991, includes improvements to the building and new equipment. With these improvements, the Wellness Center will continue to provide its members with a quality facility for improving or maintaining a healthy lifestyle.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to show its accountability for the money it expends. If you have questions about this report or need additional financial information, contact Mr. Patrick Spencer, Treasurer of the District, at 3215 Cypress Street, West Monroe, Louisiana 71291 or call him at 318-329-9100.

Basic Financial Statements

Statement A

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government		
	Governmental- Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,828,646	\$ 10,983	\$ 10,839,629
Receivables	28,580	22,259	50,839
Prepaid expenses	1,573	4,320	5,893
Capital assets, net	57,000	1,507,937	1,564,937
Total Assets	<u>10,915,799</u>	<u>1,545,499</u>	<u>12,461,298</u>
Liabilities			
Accounts payable and accrued expenses	-	13,983	13,983
Deferred revenues	-	66,431	66,431
Payroll liabilities	-	16,170	16,170
Due to IASIS GRMC, LP	2,138,856	-	2,138,856
Total liabilities	<u>2,138,856</u>	<u>96,584</u>	<u>2,235,440</u>
Net Assets			
Invested in capital assets	57,000	1,507,937	1,564,937
Unrestricted	8,719,943	(59,022)	8,660,921
Total net assets	<u>\$ 8,776,943</u>	<u>\$ 1,448,915</u>	<u>\$ 10,225,858</u>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		Total
			Governmental Activities	Business-Type Activities	
Primary government					
Governmental activities					
General Government	\$ 189,559	\$ 18,650	\$ (170,909)	\$ -	\$ (170,909)
Total governmental activities	189,559	18,650	(170,909)	-	(170,909)
Business-type activities					
The Wellness Center	834,977	642,803	-	(192,174)	(192,174)
Total business-type activities	834,977	642,803	-	(192,174)	(192,174)
Total primary government	\$ 1,024,536	\$ 661,453	(170,909)	(192,174)	(363,083)
General revenues					
Interest income			366,415	-	366,415
Gain on sale of assets			-	2,864	2,864
Other Transfers			(260,231)	260,231	-
Total general revenues			106,184	263,095	369,279
Special items					
Transfer from sale of Glenwood Regional Medical Center			52,935,115	1,377,994	54,313,109
Transfer to Ward Five Healthcare Foundation			(44,199,652)	-	(44,199,652)
Total special items			8,735,463	1,377,994	10,113,457
Total general revenues			8,841,647	1,641,089	10,482,736
Change in net assets			8,670,738	1,448,915	10,119,653
Net assets at beginning of year			106,205	-	106,205
NET ASSETS AT END OF YEAR			\$ 8,776,943	\$ 1,448,915	\$ 10,225,858

The accompanying notes are an integral part of this statement.

Statement C

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

BALANCE SHEET

December 31, 2007

		<u>Major Fund</u>
		<u>General Fund</u>
ASSETS		
Cash & cash equivalents	\$	10,828,646
Interest receivable		9,930
Receivable-Ward Five Healthcare Foundation		18,650
Prepaid expenses		1,573
TOTAL ASSETS	\$	<u>10,858,799</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Due to IASIS Glenwood Regional Medical Center, LP	\$	<u>2,138,856</u>
Total liabilities		2,138,856
Fund equity:		
Fund balance:		
Reserved for prepaid expenses		1,573
Unreserved/undesignated		<u>8,718,370</u>
Total fund balance		<u>8,719,943</u>
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>10,858,799</u>

The accompanying notes are an integral part of this statement.

Statement D

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
December 31, 2007**

Fund balances - total governmental funds	\$ 8,719,943
Amounts reported for governmental activities that are not financial resources and, therefore, are not reported in the governmental funds	
Governmental capital assets	57,000
	<hr/>
Net assets of governmental activities	\$ <u>8,776,943</u>

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2007

		<u>Major Fund</u>
		<u>General</u>
		<u>Fund</u>
Revenues		
Use of money and property	\$	366,415
Contractual reimbursement-Ward Five Healthcare Foundation		18,650
Total Revenues		<u>385,065</u>
Expenditures		
General Government		
Advertising and promotion		1,248
Bank fees		2,697
Bond expenses		8,150
Insurance		8,850
Office expenses		921
Other expenses		593
Professional fees-accounting and auditing		600
Professional fees-legal		143,297
Salaries and benefits		23,203
Total general government		<u>189,559</u>
Excess of Revenues Over Expenditures		195,506
Other Financing Sources/(Uses)		
Transfers from Glenwood Resolution Authority, Inc.		
Transfer of cash proceeds (designated by the District for Ward Five Healthcare Foundation)		44,199,652
Transfer of total cash proceeds	\$	904,251
Less amount received as a deposit in 2006		<u>(10,000)</u>
		894,251
Transfer into escrow for post-closing price adjustments		2,500,000
Less amount to be transferred to IASIS GRMC for post-closing price adjustments		<u>(2,117,071)</u>
		382,929
Transfer from escrow of excess amount for defeasement of bonds		4,195,228
Transfers of additional cash received after closing		<u>3,206,055</u>
Total transfers from Glenwood Resolution Authority, Inc.		52,878,115
Transfer to Ward Five Healthcare Foundation		<u>(44,199,652)</u>
Total nonoperating sources (uses)		8,678,463
Transfers to Enterprise Fund		<u>(260,231)</u>
Total Other Financing Sources		<u>8,418,232</u>
Excess of Revenues and other Sources Over Expenditures and Other Uses		8,613,738
Fund Balance at Beginning of Year		<u>106,205</u>
FUND BALANCE AT END OF YEAR	\$	<u>8,719,943</u>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH**Reconciliation of the Governmental Fund-Statement of Revenues, Expenditures
and Changes in Fund Balance (FFS) to Governmental Activities -
Statement of Activities (GWFS)****For the Year Ended December 31, 2007**

Change in Fund Balance	\$ 8,613,738
------------------------	--------------

Amounts reported for governmental activities in the Statement of
Activities are different because:

Transfer of a lot from Glenwood Resolution Authority, Inc.
which is not reported in the Governmental Fund's Statement of
Revenues, Expenditures and Changes in Fund Balance transfer
of \$52,878,115, but is shown in Governmental Activities'
Statement of Activities and is included in the \$52,935,115

57,000

Change in Net Assets	\$ <u>8,670,738</u>
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Statement G

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

PROPRIETARY FUND
STATEMENT OF NET ASSETS

December 31, 2007

	Business-type Activities Enterprise Fund Wellness Center
ASSETS	
Current assets	
Cash	\$ 10,983
Accounts receivable - net of \$19,951 allowance for doubtful accounts	22,259
Prepaid expenses	4,320
Total current assets	<u>37,562</u>
Capital assets	
Buildings and improvements	2,118,440
Land improvements	453,103
Fitness equipment	387,196
Office equipment	85,327
Total capital assets	<u>3,044,066</u>
Accumulated depreciation	<u>(2,298,410)</u>
Net depreciable capital assets	745,656
Land	750,000
Construction in progress	12,281
Net capital assets	<u>1,507,937</u>
Total assets	\$ <u><u>1,545,499</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,983
Unearned income	66,431
Payroll and taxes payable	16,170
Total liabilities	<u>96,584</u>
TOTAL NET ASSETS	\$ <u><u>1,448,915</u></u>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH
PROPRIETARY FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2007

		<u>Business-type Activities Enterprise Fund Wellness Center</u>
OPERATING REVENUES		
Charges for services		\$ 626,793
Merchandise sales	\$ 16,010	
Merchandise purchases	<u>(10,673)</u>	5,337
Gain on sale of equipment		2,864
Total operating revenues		<u>634,994</u>
OPERATING EXPENSES		
Administrative expenses		208
Advertising and Promotion		15,240
Bad debt expense		19,951
Catering and supplies		312
Coffee service		1,569
Computer		4,415
Depreciation		71,050
Dues and subscriptions		3,509
Grounds maintenance		17,667
Housekeeping		91,461
Insurance expense		28,654
Licenses		1,365
Office expenses		10,566
Other expenses		6,017
Postage and freight		2,480
Professional fees-accounting		12,025
Professional fees-legal		3,601
Property tax expenses		2,225
Salaries and benefits		463,031
Security		1,877
Telephone		8,147
Television		886
Utilities		<u>58,048</u>
Total operating expenses		<u>824,304</u>
Operating income (loss)		(189,310)
NONOPERATING REVENUES (EXPENSES)		
Transfers from General Fund		<u>260,231</u>
Equity transfer from Glenwood Resolution Authority, Inc.		
Property and equipment	\$ 1,551,164	
Less property expropriated by the State of Louisiana	<u>(110,000)</u>	1,441,164
Accounts receivable		4,182
Unearned income		<u>(67,352)</u>
Total equity transfers		1,377,994
Total nonoperating revenues (expenses)		<u>1,638,225</u>
Net income		1,448,915
Net assets beginning of year		-
Net assets end of year		<u>\$ 1,448,915</u>

Statement I

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

PROPRIETARY FUND
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

	Business-type activities	
	Enterprise Fund	Wellness Center
Cash flows from operating activities		
Receipts from memberships	\$	607,795
Net receipts from sale of merchandise		5,337
Payments to employees		(446,861)
Payments to suppliers for goods and services		(279,696)
Net cash used by operating activities		<u>(113,425)</u>
Cash flows from capital and related financing activities		
Receipts from sale of assets		2,000
Purchase of capital assets		(137,823)
Transfer from general fund		260,231
Net cash provided by financing activities		<u>124,408</u>
Net increase in cash		10,983
Cash at beginning of year		-
Cash at end of year	\$	<u>10,983</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$	(189,310)
Adjustments to reconcile operating loss to net cash provided		
by operating activities:		
Depreciation		71,050
Bad debt expense		19,951
Gain on sale of equipment		(2,000)
Change in assets and liabilities:		
Receivables		(38,028)
Prepaid expenses		(4,320)
Accounts payable		13,983
Accrued payroll expenses		16,170
Unearned income		(921)
Net cash used by operating activities	\$	<u>(113,425)</u>
Cash shown on statement of net assets	\$	<u>10,983</u>
Supplemental Disclosures:		
Non-Cash Operating Activities		
Membership income	\$	7,680
Advertising	\$	(7,680)
Non-cash financing activities		
Received from IASIS GRMC	\$	44,199,652
Transferred to Ward 5 Healthcare Foundation	\$	(44,199,652)

The accompanying notes are an integral part of this statement.

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

Overview

Hospital Service District No. 1 of Ouachita Parish, Louisiana, (the District) is a body corporate and political subdivision of the State of Louisiana which was formed on July 18, 1951, by Ordinance No. 7006 of the Ouachita Parish Police Jury, as provided by Revised Statutes 46:1051-1067. The boundaries of the District comprise all of the territory within Ward No. 5 of Ouachita Parish as it stood in 1951. The District is governed by a Board of Commissioners consisting of five members who are appointed by the Ouachita Parish Police Jury.

Until January 31, 2007, the District owned and leased a hospital and a wellness center and some associated real estate to a nonprofit corporation that operated these assets.

On January 31, 2007, the District sold the hospital and some of the associated real estate, not including the Wellness Center, to a national hospital chain; substantially all of the net proceeds of the sale were transferred to a new nonprofit foundation, the Ward Five Healthcare Foundation.

After January 31, 2007, the District has owned and operated the Wellness Center and some associated real estate, has overseen the operation of the new nonprofit foundation, and has overseen the winding-up process of the nonprofit corporation Glenwood Resolution Authority, Inc. (GRA) which formerly operated the hospital and wellness center.

Effective January 31, 2007, Glenwood Regional Medical Center (Lessee) and its wholly-owned affiliate Glenwood Health Services, Inc., were renamed respectively Glenwood Resolution Authority and GHS Resolution Authority, Inc. (collectively known as Glenwood). Glenwood, the District and the Foundation executed a sale transfer of substantially all assets and liabilities to IASIS Glenwood Regional Medical Center, L.P. (IASIS GRMC), an unrelated entity, in consideration of the purchase price (the Transaction) (see Note 6). Since the sale, Glenwood's activities include winding-up the operations of Glenwood and transferring the assets of Glenwood to the District in accordance with the lease termination agreement between the District and Glenwood.

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the Hospital Service District No. 1 of Ouachita Parish (a component unit of the Ouachita Parish Police Jury) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

B. Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statement Number 14 *The Financial Reporting Entity* establishes criteria for determining which component units of governments should be considered part of a primary government (the District) for financial reporting purposes.

The basic criterion for determining a component unit is accountability. As the Ouachita Parish Police Jury (the Police Jury) appoints all of the commissioners of the District, the District is considered a component unit of the Police Jury, the reporting entity of the parish.

Considered in the determination of component units of the District is the Ward Five Healthcare Foundation (the Foundation). The Foundation was created on August 17, 2006. The District is the sole member of the Foundation and therefore the Foundation is a component unit of the District. For the reporting entity of the District's financial statements to be complete, the Foundation would have to be included in with the District. However the Foundation is not included in the accompanying financial statements. The District's financial statements are not intended to and do not report on the reporting entity of the District but rather are intended to reflect only the financial statements of the primary government of Hospital Service District No. 1 of Ouachita Parish. The Foundation issues separate financial statements from the District which can be obtained from John Cameron, Treasurer, at 318-323-1717.

The accompanying basic financial statements present information only on the two funds maintained by the District and do not present information on the Police Jury.

C. Fund Accounting

The financial transactions of the District are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that includes its assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

Governmental Fund:

Governmental funds account for the District's general governmental activities including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt. Governmental funds are divided into major and nonmajor funds. Major funds are funds that meet certain dollar tests of their assets, liabilities, revenues, and expenditures/expenses. Major funds are larger, more significant funds. Nonmajor funds are the Governmental Funds that do not meet the dollar tests for major funds. The District has one governmental fund and it is as follows:

General Fund – The General Fund is the general operating fund of the District. It accounts for all of financial resources except those required to be accounted for in another fund and is always a major fund.

Proprietary Fund:

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of fund equity, is an important financial indicator.

Enterprise Fund – The Enterprise fund accounts for the operations (a) that are financed and operated similarly to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in the government-wide financial statements and the major funds section of the fund financial statements. The Wellness Center is the District's only enterprise fund and it is a major fund.

D. Basis of Accounting / Measurement Focus

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities displays information about the reporting government of the District as a whole. These statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions are recognized when the District has an

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

enforceable legal claim to the revenues, expenses, gains, losses, assets and liabilities.

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

General Revenues

General revenues included in the Statement of Activities are derived from other sources not considered program revenues. General revenues finance the remaining balance of functions not covered by program revenues.

Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Interest income on time deposits is recorded when the time deposits have matured and the interest is available. Interest income on interest bearing demand deposits is recorded at the end of each month when credited by the bank. Interest income on investments is recorded periodically as the instruments mature.

Substantially all other revenues are recorded when they become available to the District.

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Sources (Uses)

Transfers between funds not expected to be repaid and sale of assets are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying event occurs.

E. Budgets

A proposed budget for the ensuing year, prepared on the modified accrual basis of accounting, is prepared annually by the Board of Commissioners. This budget is based on past expenditures and modified for planned activities in the upcoming year.

Notice of the location and availability of the proposed budget for public inspection and the date of the public hearing to be conducted on the budget are then advertised in the official journal of the District. Prior to or as a part of the selected December meeting, the District conducts a public hearing on the proposed budget in order to receive comments from the citizenry.

Changes are made to the proposed budget based on the public hearing and the desires of the District as a whole. The budget is then adopted during the District's selected December meeting, and a notice certifying completion of the required budgetary actions is published in the official journal of the parish.

During the year, the commissioners receive monthly budget comparison statements that are used as a tool to control District operations.

F. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and certificates of deposits. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the Statement of Cash Flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

G. Investments

Under state law, the District may invest in United States treasury notes or certificates. These funds are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. In accordance with the provisions of GASB Statement 31, investments are carried at fair market value or amortized cost.

H. Capital Assets

Capital Assets, which include land, buildings and improvements, furniture, and fixtures and equipment, are reported in the governmental or business-type activities columns in the governmental-wide financial statements.

The District considers assets with an initial individual cost of \$500 or more and an estimated life of 1 year or more as a capital asset. Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is used based on the following useful lives:

<u>Number of Years</u>	<u>Asset</u>
3 to 5	Computer equipment
5	Furniture and fixtures
5 to 15	Fitness equipment
40	Buildings

I. Compensated Absences

All full-time employees earn vacation at rates varying from 5 to 15 days each year depending upon length of service with the District. Employees can not carry forward accrued annual leave from year to year.

All full-time employees earn sick leave after one year of service and can use up to 10 days of sick leave per year. Employees can not carry forward sick leave from year to year.

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

K. Reserves and Designations of Fund Financial Statements

Use of the term "reserve" in describing governmental funds' Fund Balance or Retained Earnings of proprietary funds indicates that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use. The nature and purpose of those reserves are:

Reserved for Prepaids

This amount represents a portion of fund balance that is not an available, expendable resource even though it is a component of assets.

L. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Related Party Receivable

The District recorded a \$18,650 receivable for a reimbursement due from the Ward Five Healthcare Foundation for certain expenses of the District, in accordance with the terms of the Cooperative Endeavor Agreement between the Foundation and the District. All of these fees were received in 2008.

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 3 - Capital Assets

A summary of changes in capital assets for the year ended December 31, 2007 is as follows:

	<u>Balance</u> <u>01-01-2007</u>	<u>Additions</u> <u>Transfers In</u>	<u>Retirements</u> <u>Transfers Out</u>	<u>Balance</u> <u>12-31-2007</u>
Governmental activities				
Capital assets				
Land	\$ -	\$ 57,000	\$ -	\$ 57,000
Total governmental activities capital assets	<u>\$ -</u>	<u>\$ 57,000</u>	<u>\$ -</u>	<u>\$ 57,000</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ -	\$ 860,000	\$ 110,000	\$ 750,000
Construction in progress	-	12,281	-	12,281
Total capital assets not being depreciated	-	872,281	110,000	762,281
Capital assets being depreciated				
Buildings and improvements	-	2,118,440	-	2,118,440
Land improvements	-	453,103	-	453,103
Fitness equipment	-	419,651	32,455	387,196
Office equipment	-	85,327	-	85,327
Total capital assets being depreciated	-	3,076,521	32,455	3,044,066
Less accumulated depreciation				
Buildings and improvements	-	1,558,807	-	1,558,807
Land improvements	-	423,834	-	423,834
Fitness equipment	-	300,517	32,455	268,062
Office equipment	-	47,707	-	47,707
Total accumulated depreciation	-	2,330,865	32,455	2,298,410
Total capital assets being depreciated, net	-	745,656	-	745,656
Total business-type activities capital assets, net	<u>\$ -</u>	<u>\$ 1,617,937</u>	<u>\$ 110,000</u>	<u>\$ 1,507,937</u>

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 4 - Outstanding Bonds

In 1996, the District issued \$38,505,000 Series 1996 Hospital Revenue Refunding Bonds (the "1996 bonds" or the "Bonds") under the Trust Indenture between Hospital Service District No. 1 of the Parish of Ouachita, State of Louisiana and First National Bank of Commerce dated as of May 1, 1996 (the "Trust Indenture"). The proceeds of the 1996 Bonds were used to provide funds for (a) refunding the Series 1991 Bonds through a defeasance trust to achieve interest cost savings, (b) funding a reserve fund and (c) paying the costs of issuance of the Series 1996 Bonds. All outstanding Hospital Revenue Bonds were carried on the books of the Lessee (See Note 1).

During 2007, these bonds were defeased in connection with the sale of the Hospital.

Note 5 - Board Compensation

For the period ended December 31, 2007, there was no compensation paid to members of the Board of Commissioners.

Note 6 - Sale of the Hospital

As of July 20, 2006, Glenwood Regional Medical Center (GRMC, later renamed Glenwood Resolution Authority, Inc.) and its wholly-owned subsidiary Glenwood Health Services, Inc. (later renamed GHS Resolution Authority, Inc.) (collectively, Glenwood) and the District (collectively Sellers) entered into an Asset Purchase Agreement (APA) to sell, assign or otherwise transfer substantially all assets of the Sellers (including the hospital known as Glenwood Regional Medical Center, but not including the fitness center known as the Wellness Center) to IASIS Glenwood Regional Medical Center, L.P. (IASIS GRMC), an unrelated entity wholly owned by a national provider of hospital and health care services (the Transaction). The Transaction closed effective as of January 31, 2007, at which time substantially all assets were sold, assigned or otherwise transferred by the Sellers to IASIS GRMC in consideration of the purchase price as defined in the APA. Other consideration for the Transaction included IASIS GRMC's commitment to certain Public Interest Covenants as set out in the APA, including provisions relating to acute care service, emergency services, charity care, Medicare and Medicaid, accreditation, nondiscrimination, and capital investment. The Transaction is reflected in the consolidated financial statements of Glenwood.

On August 17, 2006, the District established Ward Five Healthcare Foundation (the Foundation, which now does business as the Living Well Foundation) to receive

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

substantially all of the net proceeds from the sale to IASIS GRMC in order to safeguard such funds and ensure that they are used for appropriate healthcare purposes.

A public referendum was held on September 30, 2006 whereby the residents of the District overwhelmingly approved the transactions contemplated by the APA and the transfer to the Foundation of substantially all of the net proceeds of the sale to IASIS GRMC for use for healthcare purposes.

In November 2006, the District, GRMC, the Foundation and the Ouachita Parish Police Jury (OPPJ) entered into a Coordination Agreement whereby, among other things, GRMC agreed to pay OPPJ \$4,116,113 and OPPJ agreed to release various claims and to refrain from taking various actions that might interfere with the sale or the subsequent operation of the Foundation. In December 2006, GRMC paid OPPJ \$350,000 pursuant to an earlier 1997 Settlement Agreement, but for which payment GRMC also received credit under the Coordination Agreement.

On January 26, 2007, the Louisiana Attorney General approved the detailed application of the District and GRMC to sell the Hospital to IASIS GRMC pursuant to the APA and related documents. As of January 31, 2007, the sale to IASIS GRMC was closed for a cash purchase price of \$78,703,003. Of this amount,

\$30,075,222 was transmitted to an escrow for defeasement of the 1996 Bonds (although several weeks after the closing, certain securities were substituted for the cash in the bond defeasement escrow, resulting in the release of approximately \$4,195,228 back to the District);

\$2,500,000 was transmitted to an escrow for post-closing price adjustments, of which \$2,117,071 was transferred to IASIS GRMC in July 2008 and the remaining \$382,929 was transferred from the escrow account to the District;

\$1,023,878 was transmitted to GRMC (since renamed Glenwood Resolution Authority, Inc.) to help it to pay off its estimated remaining liabilities;

\$904,251 was disbursed to the District less a \$10,000 deposit that was made during 2006; and

\$44,199,652 was transferred to the Foundation for future healthcare purposes, pursuant to the District's designation under the APA and a separate Cooperative Endeavor Agreement between the District and the Foundation, and is shown as passing through the books of the District.

During the remainder of 2007, Glenwood liquidated certain assets it retained and received certain cash flow from operations and in accordance with a Lease

Hospital Service District No. 1 of Ouachita Parish
Notes to the Financial Statements
For the Year Ended December 31, 2007

Termination Agreement (the LTA) with the District, transferred \$3,206,055 to the District. Glenwood will continue to make transfers of funds to the District on a periodic basis as contemplated by the LTA up until the time the winding-up of Glenwood is concluded. Finally, the District acquired control of a \$57,000 lot which is included as part of the transfer (which is shown in the Statement of Activities but not the Statement of Revenues, Expenditures and Changes in Fund Balance). The lot switched from being under a long-term lease to Glenwood to being under a long-term lease to IASIS.

Contemporaneously with the sale, although not out of the proceeds of the sale, GRMC paid \$3,766,113 to the Ouachita Parish Police Jury pursuant to the Coordination Agreement and paid off long-term bank debt of approximately \$5,000,000. GRMC also retained approximately \$11,000,000 of its pre-closing liquid assets as well as certain non-liquid assets, with the agreement in the LTA that after liquidation of the non-liquid assets and payment of all of GRMC's liabilities and administrative expenses, any amounts remaining will be transferred to the District.

IASIS GRMC also did not purchase the "Excluded Assets", as defined in the APA, which generally included cash, cash equivalents, investments, third party settlements receivable and certain real property and equipment comprising the Wellness Center. Certain joint venture and equity interests were also part of the "Excluded Assets". The most significant of these was a joint venture stock ownership in Lincoln Health Systems, Inc., which stock was sold by the Glenwood to Lincoln Health System, Inc., shortly after the closing of the Transaction. While the sales price was \$3,200,000, under section 7.21 of the Asset Purchase Agreement, the Glenwood had to pay the amount in excess of \$1,500,000 to IASIS GRMC.

Also at the closing, certain receivables (\$4,182), unearned revenue (\$67,352) and real property and related equipment comprising a fitness facility known as the Wellness Center, (\$1,551,164), were "Excluded Assets" and were therefore not sold to IASIS GRMC. As a result of the termination of the long-term lease under the LTA, the District took over the operation of the Wellness Center from the Glenwood. The Wellness Center is included in these financial statements as an enterprise fund. During the course of reviewing its assets that were transferred on the books from GRMC in good faith, the District discovered that the cost of a portion of its land that had been expropriated by the State of Louisiana to widen Thomas Road during a prior year had not been removed from GRMC's capital assets schedule before these assets were on the books transferred to the District. As a result, the District has shown a \$110,000 reduction (of the \$1,551,164 transfer) as a reduction in capital assets during the current year and a reduction in the transfer.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

GOVERNMENTAL FUND - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2007

(unaudited)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance at beginning of year	\$ 106,205	\$ 106,205	\$ 106,205	\$ -
Resources				
Use of money and property	291,400	291,400	366,415	75,015
Contractual reimbursement-Ward Five Healthcare Foundation	18,650	18,650	18,650	-
Net Transfers from Glenwood Resolution Authority, Inc. (Net of proceeds remitted to Ward 5 Healthcare Foundation)	2,774,530	2,774,530	8,678,463	5,903,933
Amounts available for appropriations	<u>3,190,785</u>	<u>3,190,785</u>	<u>9,169,733</u>	<u>5,978,948</u>
Charges to appropriations				
General Government				
Advertising and promotion	1,293	1,293	1,248	(45)
Bank fees	49	49	2,697	2,648
Bond expenses	8,150	8,150	8,150	-
Insurance	7,605	7,605	8,850	1,245
Office expenses	950	950	921	(29)
Other expenses	500	500	593	93
Professional fees-accounting and auditing	16,600	16,600	600	(16,000)
Professional fees-legal	130,000	130,000	143,297	13,297
Salaries and benefits	12,671	12,671	23,203	10,532
Total General Government	<u>177,818</u>	<u>177,818</u>	<u>189,559</u>	<u>11,741</u>
Transfers out	260,000	260,000	260,231	231
Total charges to appropriations	<u>437,818</u>	<u>437,818</u>	<u>449,790</u>	<u>11,972</u>
Budgetary fund balance at end of year	<u>\$ 2,752,967</u>	<u>\$ 2,752,967</u>	<u>\$ 8,719,943</u>	<u>\$ 5,966,976</u>

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

NOTES TO BUDGETARY COMPARISON SCHEDULES FOR THE YEAR ENDED DECEMBER 31, 2007

Budgetary Policies: A proposed budget for the ensuing year, prepared on the modified accrual basis of accounting, is prepared annually by the Board of Commissioners. This budget is prepared for planned activities in the upcoming year.

Notice of the location and availability of the proposed budget for public inspection and the date of the public hearing to be conducted on the budget are then advertised in the official journal of the District. Prior to or as a part of the selected December meeting, the District conducts a public hearing on the proposed budget(s) in order to receive comments from the citizenry.

Changes are made to the proposed budget based on the public hearing and the desires of the District as a whole. The budget is then adopted during the District's selected December meeting, and a notice certifying completion of the required budgetary actions is published in the official journal of the parish.

During the year, the commissioners receive monthly financial statements that are used as a tool to control District operations.

State law requires the District to amend its budgets when revenues plus projected revenues within a fund are expected to fall short of budgeted revenues by five percent or more and when expenditures and other uses of a fund are expected to exceed budgeted amounts by five percent or more.

**REPORT REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS**

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Phillip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**Board of Commissioners
Hospital Service District No. 1 of Ouachita Parish
West Monroe, Louisiana**

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the **Hospital Service District No. 1 of Ouachita Parish** (the District) (a component unit of the Ouachita Parish Police Jury) as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

**Hospital Service District No. 1 of Ouachita Parish
West Monroe, Louisiana**

generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying Schedule of Findings listed as 07-01, 07-02, 07-03 and 07-04 to be significant deficiencies in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider all of the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 07-01, 07-02, 07-03 and 07-04.

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of management of the Ouachita Parish Police Jury, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Huffman, Hoffman, Reynolds, & Sengier

(A Professional Accounting Corporation)

November 14, 2008

Hospital Service District No. 1 of Ouachita Parish
Schedule of Findings
For the Year Ended December 31, 2007

07-01 Local Government Budget Act

Finding

The District did not comply with certain requirements of the Local Government Budget Act. Although a budget was adopted for 2007, this budget was not adopted until December 2007. The budget did not include a budget message or a budget adoption instrument. The District also did not lay open the budget for inspections beforehand.

It was also noted that the 2008 budget was not adopted until February 2008. This budget also does not have the publication of a notice of compliance.

Recommendation

We recommend that the District comply with the Local Government Budget Act by:

1. adopting a budget for the General Fund;
2. including a budget message from the chief executive officer;
3. submitting the proposed budget to the governing authority and making available for public inspection at least 15 days prior to the beginning of the fiscal year;
4. adopting and finalizing the budget prior to the date required by state law; and placing a certified copy with the chief executive officer

Response

Having itself pointed out these problems in response to the initial audit questionnaire, the District naturally agrees with the audit findings and recommendations, and intends to avoid noncompliance in the future. As an explanation in mitigation of its failure to comply fully in 2007, the District notes the following.

The District entered into an agreement for the sale of its hospital on July 20, 2006 and spent considerable time and effort during the remainder of the year obtaining the approval of the public and the Louisiana Attorney General and taking other actions preparatory to the closing of the sale of the hospital on January 31, 2007. The District's finances were the subject of extensive disclosure to both the public and the Attorney General throughout the second half of 2006 and January 2007, including a public hearing held by the Attorney General in West Monroe on January 11, 2007, to consider the sale of the hospital. After the sale, the District had to improve the accounting system of the Wellness Center (the operation of which the District took over after the sale) in order to have a meaningful budget prepared. Ultimately, the budget for 2007 was more detailed than the law requires.

As for the 2008 budget, the District had a draft prepared in December 2007, but deferred it for further consideration, and did not formally adopt it until February 12, 2008. Because the 2008 budget was adopted late, the District could not publish a notice of "compliance," but it did publish a notice of completion of required budgetary actions.

The 2009 budget has already been drafted, and the District expects to comply fully with the Local Government Budget Act with respect to the adoption of the 2009 budget.

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07-02 Public Bid Law

Finding

Hospital Service District No. 1 (the District) was unable to prove its compliance with the Public Bid Law by not having available the bid file including the advertisement for a \$34,218 purchase of fitness equipment made in November 2007.

Recommendation

We recommend that the District retain all bid files and ensure that purchases of materials and supplies exceeding \$20,000 be advertised in its official journal in order to comply with the provisions of the public bid law, LSA-RS Title 38:2212.

Response

Due to changes in personnel at the manager level, the District has not been able to locate the bid file for this purchase. The District agrees with the recommendation and intends in the future to advertise for bids in its official journal when required and to maintain all of its files, including its bid files, more carefully to comply with the public bid law.

07-03 Donation of equipment

Finding

During the course of our audit, we noted that the District donated surplus equipment with a carrying value of approximately \$350 to a local school. Such a donation violates Article VII, Section 14 of the 1974 Louisiana Constitution.

Recommendation

We recommend that the District ensure that future dispositions of surplus items be disposed of in accordance with state law.

Response

The District pointed out this mistake in response to the initial audit questionnaire and agrees with the finding. The District has taken steps to ensure that in the future surplus items will be disposed of in accordance with state law.

07-04 Financial Statements Not Filed Timely

Finding

Louisiana Revised Statute 24:513 requires that the District prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of its most recent fiscal year.

Hospital Service District No. 1 of Ouachita Parish
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Recommendation

We recommend that the District ensure that its records are available for audit within a reasonable time frame to allow the auditors sufficient time to express an opinion on the financial statements whereby they can be filed within six months of year-end.

Response

The District agrees with the finding and has already taken steps to ensure that, in the future, the accounting records will be available for audit in a timely manner.

Glenwood Regional Medical Center, the hospital that was owned by the District and under long-term lease to a nonprofit organization, was sold to a national hospital chain on January 31, 2007, for approximately \$79 million. At the same time, the Wellness Center, which was also owned by the District and under long-term lease to the nonprofit organization, was turned over to the District to operate for the first time. Also at the closing, substantially all of the net proceeds (after defeasing outstanding bonds) were transferred to a new nonprofit foundation.

Because of the long-term lease, both the hospital and the Wellness Center had been carried on the books of the nonprofit organization, and it was considered important to obtain the audited financial statements of the nonprofit organization in order to properly prepare the audited financial statements of the District and of the new foundation. Due to the complexity of the hospital sale and related issues, including resolving post-closing purchase price adjustments under the purchase agreement, the nonprofit organization did not finalize its audited financial statements for the period including the hospital closing until October 24, 2008.

Meanwhile, the District had difficulty taking over the accounting system at the Wellness Center. Due to the implementation of a new point-of-sale system, the District's dissatisfaction with its first accountants, and the loss of its second accountants (due to loss of accounting personnel), and the delay in receiving the audited financial statements of the nonprofit organization, the District did not finalize its unaudited financial statements for 2007 until November 7, 2008.

The District requested and obtained extensions from the Legislative Auditor through November 15, 2008, to file its audited 2007 financial statements. The District appreciates the extra time granted by the Legislative Auditor, and fully expects to have its 2008 audited financial statements completed before June 30, 2009.